



# WEINLANDER FITZHUGH

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& CONSULTANTS

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GLADWIN CITY HOUSING COMMISSION  
MANAGEMENT FUND  
GLADWIN, MICHIGAN

FINANCIAL STATEMENTS  
JUNE 30, 2006

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GLADWIN AND WEST BRANCH

**RSM McGladrey Network**

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## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Gladwin City Housing Comm Mgmt Fund	County Gladwin
Fiscal Year End 6/30/06	Opinion Date 10/4/06	Date Audit Report Submitted to State 2/26/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☒ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	None prepared	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Weinlander Fitzgugh		Telephone Number 989-922-6447	
Street Address P O Box 775		City Bay City	State MI
Zip 48707			
Authorizing CPA Signature <i>Stewart J. Reid CPA</i>	Printed Name Stewart J Reid	License Number 1609332	

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ROBERT J. DUYCK, CPA

October 4, 2006

## Independent Auditors' Report

Board of Commissioners  
Gladwin City Housing  
Commission-Management Fund  
Gladwin, Michigan

We have audited the accompanying financial statements of the governmental activities and its major fund of the Gladwin City Housing Commission - Management Fund, as of and for the year ended June 30, 2006, which collectively comprise the Management Fund's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and its major fund of the Gladwin City Housing Commission - Management Fund as of June 30, 2006, and the respective changes in financial position, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

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# WEINLANDER FITZHUGH

Board of Commissioners  
Gladwin City Housing  
Commission-Management Fund  
October 4, 2006  
Page 2

## **Required Supplemental Information**

The management's discussion and analysis and budgetary comparison schedule as identified in the table of contents are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Weinlander Fitzhugh*

GLADWIN CITY HOUSING COMMISSION  
MANAGEMENT FUND

Management's Discussion & Analysis  
For the Year Ended June 30, 2006

Our discussion and analysis of the Gladwin City Housing Commission – Management Fund's financial performance provides an overview of the Management Fund's activities of the year ended June 30, 2006.

The Management Fund is a Special Revenue Fund of the Gladwin City Housing Commission that accounts for the management services that are provided to one of the low income housing projects and the operation of a single family rental unit. The accompanying financial statements present the results of operations for the Management Fund only, and do not include any other activities or programs of the Housing Commission. Accordingly, these financial statements do not present the financial position or results of operations of the entire Gladwin City Housing Commission.

**Financial Highlights**

The Management Fund reported an excess of revenues over expenditures of \$2,978 for the year, resulting in an ending fund balance of \$176,517.

**Using this Annual Financial Report**

The annual report includes this management's discussion and analysis report, the independent auditors' report and the basic financial statements of the Housing Commission. The financial statements also include notes that explain in more detail some of the information in the financial statements.

**Reporting the Management Fund as a Whole**

The *government-wide financial statements* are designed to provide readers with a broad overview of the Management Fund's finances in a manner similar to a private sector business.

The Statement of Net Assets presents information on all of the Management Fund's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Management Fund is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

The Statement of Activities presents information showing how the Management Fund's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

GLADWIN CITY HOUSING COMMISSION  
MANAGEMENT FUND  
Management's Discussion & Analysis  
For the Year Ended June 30, 2006

Both of the government-wide financial statements report functions that are intended to recover all or a significant portion of their costs through user fees and charges (governmental activities).

**Reporting on the Management Fund**

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** Governmental funds are used to report the same functions presented as governmental activities in the government-wide financial statements. The Housing Commission uses a special revenue fund to account for the Management Fund.

Governmental funds provide the same type of information as the government-wide financial statements, only in more detail. The governmental fund financial statements provide information on the Management Fund of the Gladwin City Housing Commission.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide fund financial statements.

**Financial Analysis of the Management Fund**

The most common financial question posed to the Housing Commission is "How did we do financially during the fiscal year?" The Statement of Net Assets and the Statement of Activities report information about the Housing Commission's activities in a way that will help answer this question. The two statements report the net assets of the Management Fund and the change in them.

GLADWIN CITY HOUSING COMMISSION  
MANAGEMENT FUND  
Management's Discussion & Analysis  
For the Year Ended June 30, 2006

Exhibit A below summarizes the statement of net assets.

**Exhibit A**

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Current assets	\$ 178,000	\$ 176,000
Capital assets - net of accumulated depreciation	<u>8,000</u>	<u>13,000</u>
Total assets	<u>186,000</u>	<u>189,000</u>
<b>Liabilities</b>		
Current liabilities	<u>1,000</u>	<u>2,000</u>
<b>Net Assets</b>		
Investment in capital assets	8,000	13,000
Unrestricted	<u>177,000</u>	<u>174,000</u>
Total net assets	<u>\$ 185,000</u>	<u>\$ 187,000</u>

Exhibit A focuses on the net assets of the Management Fund, which were \$185,000 at June 30, 2006. Investment in capital assets, totaling \$8,000 compares the original cost, less depreciation of the Management Fund's capital assets to long-term debt used to finance the acquisition of those assets, if any.

The \$177,000 in unrestricted net assets of governmental activities represents the *accumulated* results of all past and current year's operations.

The results of this year's operations for the Management Fund are reported in the statement of activities, as summarized in Exhibit B below, which shows the changes in net assets for the year ended June 30, 2006.



GLADWIN CITY HOUSING COMMISSION  
MANAGEMENT FUND  
Management's Discussion & Analysis  
For the Year Ended June 30, 2006

**Exhibit B**

	<u>2006</u>	<u>2005</u>
<b>Revenue</b>		
Program revenue:		
Charges for service	\$ 23,500	\$ 27,300
General revenue:		
Gain on life insurance value	0	9,000
Interest income	400	150
Other	<u>700</u>	<u>150</u>
Total revenue	24,600	36,600
<b>Function/Program Expenses</b>		
Management fund	<u>27,000</u>	<u>38,000</u>
<b>Decrease in net assets</b>	<u><u>\$ (2,400)</u></u>	<u><u>\$ (1,400)</u></u>

**Capital Assets**

The Management Fund had \$8,000, net of accumulated depreciation, invested in capital assets as of June 30, 2006. The investment in capital assets includes land improvements and equipment.

	<u>2006</u>	<u>2005</u>
Land improvements	\$ 6,000	\$ 6,000
Equipment	<u>37,000</u>	<u>37,000</u>
Total capital assets	43,000	43,000
Less accumulated depreciation	<u>35,000</u>	<u>30,000</u>
Net capital assets	<u><u>\$ 8,000</u></u>	<u><u>\$ 13,000</u></u>

GLADWIN CITY HOUSING COMMISSION  
MANAGEMENT FUND  
Management's Discussion and Analysis  
For The Year Ended June 30, 2006

**Factors Expected to have an Effect on Future Operations**

We are not aware of any factors that will have a significant impact on future operations.

**Requests For Information**

This financial report is designed to provide a general overview of the Housing Commission's finances for all those with an interest in the Housing Commission. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ms. Sheila Hall  
Executive Director  
Gladwin City Housing Commission  
215 S. Antler Street  
Gladwin, MI 48624

GLADWIN CITY HOUSING COMMISSION  
MANAGEMENT FUND  
Statement of Net Assets  
June 30, 2006

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 22,777
Accounts receivable	1,637
Due from Beaverton Manor	75,225
Cash surrender value - life insurance	78,354
Capital assets less accumulated depreciation of \$35,369	<u>7,937</u>
Total assets	<u>185,930</u>
<u>Liabilities</u>	
Accounts payable	776
Tenant security deposits	<u>700</u>
Total liabilities	<u>1,476</u>
<u>Net Assets</u>	
Investment in capital assets - net of related debt	7,937
Unrestricted	<u>176,517</u>
Total net assets	<u><u>\$ 184,454</u></u>

See accompanying notes to financial statements

GLADWIN CITY HOUSING COMMISSION  
MANAGEMENT FUND  
Statement of Activities  
For the Year Ended June 30, 2006

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Activities</u>
		<u>Service</u>	<u>Grants and</u>	<u>Net (Expense)</u>
			<u>Contributions</u>	<u>Revenue and</u>
				<u>Changes in</u>
				<u>Net Assets</u>
Government-type activities:				
Management fund	<u>\$ 26,953</u>	<u>\$ 23,455</u>	<u>\$ 0</u>	\$ (3,498)
General revenues:				
Interest income				382
Other				<u>709</u>
Change in net assets				(2,407)
Net assets - beginning of year				<u>186,861</u>
Net assets - end of year				<u>\$ 184,454</u>

See accompanying notes to financial statements

GLADWIN CITY HOUSING COMMISSION  
MANAGEMENT FUND  
Governmental Fund  
Balance Sheet  
June 30, 2006

	<u>Management Fund</u>
<u>ASSETS</u>	
<u>Current Assets</u>	
Cash	\$ 22,777
Accounts receivable	1,637
Due from Beaverton Manor	75,225
Cash surrender value - life insurance	<u>78,354</u>
Total assets	<u>\$ 177,993</u>
<u>LIABILITIES AND FUND BALANCE</u>	
<u>Current Liabilities</u>	
Accounts payable	\$ 776
Tenant security deposits	<u>700</u>
Total liabilities	<u>1,476</u>
<u>Fund Balance</u>	
Reserved for life insurance value	78,354
Unreserved	<u>98,163</u>
Total fund balance	<u>176,517</u>
Total liabilities and fund balance	<u>\$ 177,993</u>

See accompanying notes to financial statements

GLADWIN CITY HOUSING COMMISSION  
MANAGEMENT FUND  
Reconciliation of Balance Sheet of Governmental Fund  
to the Statement of Net Assets  
June 30, 2006

Total fund balance - governmental fund			\$ 176,517
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds:			
Cost of the capital assets	\$ 43,306		
Accumulated depreciation	<u>(35,369)</u>	<u>7,937</u>	
Total net assets - governmental activities			<u>\$ 184,454</u>

See accompanying notes to financial statements

GLADWIN CITY HOUSING COMMISSION  
MANAGEMENT FUND

Governmental Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2006

	Management Fund
<u>Revenues</u>	
Management fees	\$ 20,541
Rental	2,914
Interest income	382
Other	709
	<hr/>
Total revenues	24,546
	<hr/>
<u>Expenditures</u>	
Life insurance expense	13,069
Rental	3,375
Annual dinner	1,375
Accounting and auditing	1,400
Incentives	671
Acknowledgement fund	741
Maintenance supplies	461
Office supplies	476
	<hr/>
Total expenditures	21,568
	<hr/>
Excess of revenues over expenditures	2,978
	<hr/>
Fund balance - beginning of year	173,539
	<hr/>
Fund balance - end of year	\$ 176,517
	<hr/> <hr/>

See accompanying notes to financial statements

GLADWIN CITY HOUSING COMMISSION  
MANAGEMENT FUND

Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance of Governmental Fund to the Statement of Activities  
For the Year Ended June 30, 2006

Net change in fund balance - total governmental fund	\$ 2,978
Amounts reported for governmental activities in the statements of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation expense	<u>(5,385)</u>
Change in net assets of governmental activities	<u><u>\$ (2,407)</u></u>

See accompanying notes to financial statements



GLADWIN CITY HOUSING COMMISSION  
MANAGEMENT FUND  
Notes to Financial Statements  
For the Year Ended June 30, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Gladwin City Housing Commission (the “Housing Commission”) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Housing Commission.

**Reporting Entity**

The Gladwin City Housing Commission is organized under Michigan Public Act 18 and provides a variety of services and programs to its residents, including the management of low income housing projects, the delivery of senior citizen assistance programs, and management of the public transportation system.

The Management Fund is a Special Revenue Fund of the Gladwin City Housing Commission that accounts for the management services that are provided to one of the low income housing projects and the operation of a single family rental unit. The accompanying financial statements present the results of operations for the Management Fund only, and do not include any other activities or programs of the Housing Commission. Accordingly, these financial statements do not present the financial position or results of operations of the entire Gladwin City Housing Commission.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Government activities, normally supported by taxes and intergovernmental revenues, are reported separately from governmental-type activities which rely to a significant extent on fees and charges for support. All of the Management Fund’s government-wide activities are considered governmental-type activities.

GLADWIN CITY HOUSING COMMISSION  
MANAGEMENT FUND  
Notes to Financial Statements  
For the Year Ended June 30, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting operations or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as general revenue.

Separate fund financial statements are provided for the major governmental fund.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period or soon enough thereafter to liabilities of the current period. For this purpose, the Housing Commission considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. This report includes one major governmental fund and that is the Management Fund.

GLADWIN CITY HOUSING COMMISSION  
MANAGEMENT FUND  
Notes to Financial Statements  
For the Year Ended June 30, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables – Accounts receivable consist of earned management fees. No allowance for doubtful accounts has been included in these statements.

Capital Assets – Capital assets, which include land improvements and equipment are reported in the applicable government-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and any asset susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Land improvements and equipment are depreciated using the straight-line method over the following useful lives:

Land Improvements	15 years
Equipment	5-10 years

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

GLADWIN CITY HOUSING COMMISSION  
MANAGEMENT FUND  
Notes to Financial Statements  
For the Year Ended June 30, 2006

**NOTE 2 – BUDGETS**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

The Gladwin City Housing Commission follows these procedures in establishing the budgetary data reflected in financial statements for the Management Fund.

1. The Housing Commission's director submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. The proposed budget is discussed at a public meeting.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the line item level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the Management Fund is presented as Required Supplemental Information.

During the year ended June 30, 2006, the Housing Commission incurred expenditures in certain budgetary funds that were in excess of the amount appropriated as follows:

<u>Fund/Function</u>	<u>Total Appropriations</u>	<u>Actual Amount</u>	<u>Budget Variance</u>
Management Fund			
Life insurance expense	\$ 4,300	\$ 13,069	\$ 8,769

GLADWIN CITY HOUSING COMMISSION  
MANAGEMENT FUND  
Notes to Financial Statements  
For the Year Ended June 30, 2006

**NOTE 3 – DEPOSITS AND INVESTMENTS**

State statutes and the Housing Commission's investment policy authorize the Housing Commission to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Housing Commission is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Housing Commission's deposits are in accordance with statutory authority.

At year-end, the Management Fund's deposits were reported in the basic financial statements as follows:

	<u>Governmental Activities</u>
Deposits (checking account)	<u>\$ 22,777</u>

**Interest Rate Risk**

In accordance with its investment policy, the Housing Commission will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

**Credit Risk**

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2006, the Housing Commission had no investments.

**Custodial Credit Risk – Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Housing Commission's deposits may not be returned to it. As of June 30, 2006, none of the Management Fund's bank balance of \$22,777 was exposed to custodial credit risk.

GLADWIN CITY HOUSING COMMISSION  
MANAGEMENT FUND  
Notes to Financial Statements  
For the Year Ended June 30, 2006

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity of the Management Fund for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets:				
Land improvements	\$ 6,212	\$ 0	\$ 0	\$ 6,212
Equipment	37,094	0	0	37,094
Subtotal	43,306	0	0	43,306
Less accumulated depreciation for:				
Land improvements	3,313	414	0	3,727
Equipment	26,671	4,971	0	31,642
Subtotal	29,984	5,385	0	35,369
Net capital assets	<u>\$ 13,322</u>	<u>\$ (5,385)</u>	<u>\$ 0</u>	<u>\$ 7,937</u>

**NOTE 5 – MANAGEMENT FEES**

The Gladwin City Housing Commission has an agreement with the Beaverton Manor Limited Dividend Housing Association to perform management services for the Association. A management fee of five percent of dwelling rents is received for this service. The Gladwin City Housing Commission also manages a rental house located on property owned by the City of Gladwin for a five percent management fee.

GLADWIN CITY HOUSING COMMISSION  
MANAGEMENT FUND  
Notes to Financial Statements  
For the Year Ended June 30, 2006

**NOTE 6 – RISK MANAGEMENT**

The Housing Commission is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employers; and natural disasters. The Housing Commission manages risk through the purchase of commercial insurance.

The Housing Commission is a member of the Housing Authority Risk Retention Group (HARRG), Housing Authority Property Insurance Group (HAPI), and the Housing Insurance Services (HIS); which are subsidiaries of the parent company Housing Authority Insurance (HAI). HARRG, HAPI and HIS are public entity risk pools. Public entity risk pools are cooperative groups of governmental entities joining together to finance an exposure, liability, or risk. Liability insurance is provided to the Housing Commission by HARRG and property insurance is provided by HAPI and auto insurance is provided by HIS. More specifically, HARRG is classified as a risk sharing pool, which is an arrangement by which government's pool risks and funds and share in the cost of losses. HAPI is an insurance purchasing pool, which is an arrangement by which governments pool funds or resources to purchase commercial insurance products. HAPI buys property and casualty insurance from the Travelers Indemnity Company who reinsures the coverage with the American Reinsurance Company.

To be a part of HAPI, HARRG and HIS, the Housing Commission was required to make an initial surplus contribution. Premiums are then paid to the pools throughout the year to remain a member. Additional surplus contributions may be required by the pools in order to maintain adequate surplus to premium ratios for each member. HAPI, HARRG and HIS keep record of surplus accounts for each member.

These accounts include initial and additional surplus contributions plus any dividends declared or paid to the member and any other adjustments for earnings and losses based upon a member's underwriting experience. Upon withdrawal, the Housing Commission would be entitled to receive total surplus contributions paid in over a five year period or to leave its surplus account with the pools and share in all allocations as if it were still a member.

**NOTE 7 – LIFE INSURANCE / RESERVED FUND BALANCE**

Through the Gladwin City Housing Commission, the Management Fund purchases life insurance on various key employees. Upon surrender or termination of the policy, the agreements call for the Management Fund to be reimbursed for the premiums that it paid to the insurance company. For the year ended June 30, 2006, the cash value of these policies exceeded the premium. As of June 30, 2006, the cash surrender value of life insurance policies was \$78,354. A fund balance amount equal to the cash surrender value has been reserved to indicate that the related asset is not an available, spendable resource.

GLADWIN CITY HOUSING COMMISSION  
MANAGEMENT FUND  
Notes to Financial Statements  
For the Year Ended June 30, 2006

**NOTE 8 – RECEIVABLES – BEAVERTON MANOR**

Receivables at June 30, 2006, consisted of an unsecured, non-interest bearing amount due from Beaverton Manor Limited Dividend Housing Association, as follows:

Loan to fund operations¹	<u>\$75,225</u>
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GLADWIN CITY HOUSING COMMISSION  
MANAGEMENT FUND  
Required Supplemental Information  
Budgetary Comparison Schedule - Management Fund  
For the Year Ended June 30, 2006

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Management fees	\$ 21,500	\$ 21,500	\$ 20,541	\$ (959)
Rental	5,500	5,500	2,914	(2,586)
Interest income	150	150	382	232
Other	150	150	709	559
Total revenues	27,300	27,300	24,546	(2,754)
<u>Expenditures</u>				
Life insurance expense	4,300	4,300	13,069	(8,769)
Rental expense	2,000	4,100	3,375	725
Annual dinner	1,250	1,375	1,375	0
Accounting and auditing	1,400	1,400	1,400	0
Incentives	1,200	750	671	79
Legal services	750	500	0	500
Acknowledgement fund	500	650	741	(91)
Office supplies	250	500	476	24
Maintenance supplies	0	500	461	39
Office alterations/equipment	1,500	325	0	325
Computer hardware upgrades	2,500	1,250	0	1,250
Total expenditures	15,650	15,650	21,568	(5,918)
Excess of revenues over expenditures	11,650	11,650	2,978	0
Fund balance - beginning of year	173,539	173,539	173,539	0
Fund balance - end of year	\$ 185,189	\$ 185,189	\$ 176,517	\$ 0